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June 26, 2019

Industrial Commission of Arizona
c/o Jacqueline Kurth, Manager
Medical Resource Office
P.O. Box 19070
800 W. Washington Street
Phoenix, AZ 85005-9070

Re: Comments on Staff Proposal for 2019/2020 Arizona Physicians'
and Pharmaceutical Fee Schedule - July 1, 2019 Public Hearing

Dear Members of the Industrial Commission of Arizona:

CopperPoint Insurance Companies ("CopperPoint") is pleased to provide written comments on the Industrial Commission of Arizona's ("Commission") Staff Proposal for the 2019/2020 Arizona Physicians' and Pharmaceutical Fee Schedule ("Proposal"). CopperPoint supports the entire Proposal, especially the guidelines regarding reimbursement for medications dispensed by physicians. Medical expenses are the leading cost driver in Arizona's workers' compensation system, and prescription medications account for approximately 20% of those medical costs. Physician dispensing practices drive costs in the workers' compensation system with no corresponding benefit to injured workers. CopperPoint thanks Commission staff for its careful review and analysis of data in connection with the Proposal, and we urge the Commission to adopt the Proposal as drafted.

On October 10, 2018, CopperPoint submitted comprehensive comments and data in connection with the Commission's consideration of reimbursement guidelines for medications dispensed by physicians, which prior submission is incorporated herein by reference ("Prior Submission"). As set forth in our Prior Submission, physician dispensing is not necessary for patient convenience, leads to higher costs, lacks clinical safety controls and jeopardizes patient outcomes. For all of these reasons, states across the country have been enacting reform measures to either prohibit or place limits on physician dispensing in workers' compensation.

In Arizona, the practice of physician dispensing is almost entirely concentrated among a few workers' compensation providers, and the vast majority of

injured workers have their prescription drugs met without physician dispensing. CopperPoint's Prior Submission showed that for the one-year period of time ending on July 15, 2018, CopperPoint had claims from 29 physician dispensers costing a total of \$2,194,437. Significantly, only three of those physician dispensers were responsible for 87% of the total cost. The top five physician dispensers during that time frame represented 95% of the total cost. These handful of medical providers are driving excessive costs into the system at the expense of injured workers, their employers, and the workers' compensation system as a whole.

Physician dispensed medications cost substantially more than the same medications available at pharmacies. CopperPoint's Prior Submission referenced numerous examples of excessive costs associated with physician dispensing. Physician dispensing presents a troubling conflict of interest. Physicians are financially incentivized to prescribe more and costlier medications to patients for a longer period of time. Physicians further profit by prescribing and dispensing medications in unusual dosages, when equally effective, less-expensive dosages are available at pharmacies or even over the counter. Special drug dosages and formulations created for physician dispensing appear to be nothing more than an opportunity for increased revenue. The average medication cost per prescription dispensed by Arizona's most prolific physician dispensers is nearly 60% more than cost per prescription dispensed by pharmacies.

The most disturbing aspect of physician dispensing is that it produces longer periods of disability and results in poor patient outcomes. *See Journal of Occupational and Environmental Medicine*, "Effect of Physician-Dispensed Medication on Workers' Compensation Claim Outcomes in the State of Illinois" (May 2014); California Workers Compensation Institute, "Differences in Outcomes for Injured Workers Receiving Physician-Dispensed Repackaged Drugs in the California Workers' Compensation System" (February 2013). Glaringly absent from the comments submitted to the Commission in support of physician dispensing are *any* data or studies disputing this point.

Rather than banning physician dispensing, the Proposal recommends limiting the practice to a one-time, ten-day supply if dispensed within seven days of the date of the industrial injury. Based upon the reform experiences in other states, CopperPoint recommended the adoption of a similar approach although with slightly different timelines. The Proposal strikes a good balance by limiting physician dispensing to situations where it is appropriate for timely, adequate access to medication -- within a short period of time after the industrial injury. Thereafter, the worker can easily obtain their medications directly from one of thousands of retail pharmacies and other mail order opportunities.

According to CopperPoint data, most injured workers have 50 or more pharmacies within a 15-mile range, while others had at least five pharmacies in that range. For those few individuals who find themselves without similar access, it may be appropriate to allow for physician dispensing. In some rural communities, mail order may not an option because medications cannot be delivered to a post office box. Therefore, CopperPoint supports the provisions in the Proposal regarding rural access, where a pharmacy is not within a 20-mile range and there is no mail order opportunity.

Although our comments are heavily focused on the physician dispensing reimbursement guidelines, CopperPoint supports the Proposal in its entirety. We believe the reimbursement guidelines set forth for prescription medications, repackaged medications and compound medications are consistent with the Official Disability Guidelines and necessary for a sustainable workers' compensation system.

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Thank you for the opportunity to comment. The Proposal, including the recommendation on physician dispensing, is thorough, well-researched and grounded in Arizona data. Most importantly, the Proposal, if implemented, will benefit the entire workers' compensation system and the injured workers it serves. CopperPoint respectfully requests that the Commission adopt the Proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark A. Kendall". The signature is fluid and cursive, with a large, stylized "M" and "K".

Mark A. Kendall
VP – Legal Services

MAK/mkg